Joint Financial Management Improvement Program

JFMIP NEWS

A Newsletter for Government Financial Managers

Winter 2003, Vol. 14. No. 4

CONTENTS

James, Walker and Daniels to Keynote March 11th JFMIP Conference

Mitchell E. Daniels
Director, U.S. Office of Management and Budget

Kay Coles James
Director, U.S. Office of Personnel Management

David M. Walker
Comptroller General of the United States

Office of Personnel Management Director Kay Coles James, Comptroller General David M. Walker, and Office of Management and Budget Director Mitchell E. Daniels, Jr., will address the JFMIP 32nd Annual Conference on Tuesday, March 11, 2003.

These JFMIP Principals and other senior officials will discuss management reform initiatives at a one-day conference, "The President's Management Agenda—Transforming Federal Management." The complete program is posted at www.jfmip.gov.

The Conference will be held at the Hilton Washington and Towers, 1919 Connecticut Avenue NW in Washington, DC.

JFMIP 32nd Annual Financial Management Conference:

The President's Management Agenda—Transforming Federal Management

Tuesday, March 11 2003

Hilton Washington and Towers
1919 Connecticut Ave. NW
Washington, DC

On-site registration begins at 7:00 am and the program begins at 8:00 am.

Continued on Page 10

A Joint Perspective

As we celebrate the New Year, I would like to personally extend an invitation that you join JFMIP at our annual conference that will be held at the Washington Hilton on March 11, 2003. The theme this year is *"The President's Management Agenda -Transforming Federal Management"*. We will have a strong program that will present the impact of the President's Management Agenda and provide perspectives from key leaders in OMB, GAO, OPM, Federal agencies, and the private sector. Major topics include improving financial statements, competitive sourcing, integration of budget and performance, strategic management of human capital, e-government and enterprise architecture, and improved financial performance. We will also be honoring this year's Scantlebury Award recipients.

Karen Cleary Alderman
Executive Director, JFMIP

While there are many milestones along the way, the hallmark of success in improving financial management performance is personal commitment of senior leaders. This *JFMIP News* celebrates the Treasury Department's achievement of a 3-day close for their monthly statements and accelerating the audit and production of the Department of Treasury Performance and Accountability Report by 3 ½ months in one year. The by-product of this achievement is greatly improved quality and timeliness of management information throughout the year. The engine driving the achievement was then Secretary Paul O'Neill who personally set the goal, established personal accountability, and regularly reviewed progress. Secretary O'Neill engaged his role of JFMIP Principal with like zeal. We salute his leadership and thank him for his service as JFMIP Principal.

We would also like to welcome Clarence Crawford as a new member to the JFMIP Steering Committee. He was recently named Office of Personnel Management's Associate Director for Management and Chief Financial Officer. Mr. Crawford is the third new member of the JFMIP Steering Committee in the last six months providing the opportunity to refocus JFMIP activities that facilitate improved financial management.

In the near term, the updated core financial system test and qualification process will dominate JFMIP staff time and energies. Between February and June 2003, six commercial software packages will be tested based on requirements issued in November 2001. Other ongoing efforts to be completed in the next year include the update of the JFMIP Financial Management *System Framework* document, issuance of the revenue system requirements document, and the update of the inventory system requirements document.

The JFMIP study of the federal financial management work force is also nearing completion. The financial management work force challenges parallel larger trends summarized in the recently released report of the National Commission on the Public Service—*Urgent Business For America*. The "second Volcker Commission" report concludes that fundamental reorganization of the Federal government is urgently needed to improve the capacity for coherent design and efficient implementation of public policy; effective government leadership requires changes in the entry process for top leaders and in the long term development of highly skilled federal managers; and the federal work force must be reshaped and the system to support work force management must be rooted in new personnel management principles that insure much higher performance.

Analysis of the federal financial management workforce suggests that the challenge is identifying the scope and numbers of critical work force competencies needed in the near future and acting to achieve those work force capabilities while there is still time. The JFMIP survey of CFO agencies indicates that most agencies believe that they have an adequate work force at the current time to keep the current financial management process in place. However, CFOs overwhelmingly reported that today's work force of almost exclusively full-time permanent workers, holding process based jobs, that are described in terms of specialized technical skills and who work in vertical organizational structures are a poor fit for anticipated changes. The largest human capital risk is an expensive skill imbalance with incumbent employees unable to perform new roles. Current work force arrangements will absorb the resources that might otherwise be available to hire or develop employees with the needed competencies. Financial management leaders identified future needs for broader, multi-skilled professional knowledge workers who are much more flexible than today's inventory.

Recent demographic patterns for the federal financial management workforce do not bode well for meeting these future needs. The work force of 106,000 workers in 2002 declined by 18 percent over the last 6 years with all the reductions coming from the technical and clerical occupations. Many of the technical and clerical workers migrated into the professional and administrative ranks. Overall, the Federal financial work force in the next 3-5 years will become older and smaller, and will largely be populated with current incumbents.

In 2002, 70,000 of the 106,000 financial management workforce were professional and administrative workers. Analysis of the professional and administrative financial management workforce retention patterns between 1996 and 2002 indicates younger workers do not stay, and older workers are staying longer.

The attachment of younger budget and financial management professionals to the federal labor market is sensitive to perceived career development opportunities as compared to private sector opportunities. Over the 6-year period, about 4,600 professional and administrative employees under 35 years old were hired in the budget and financial management series, approximately 3400 separated during the same period. During the tight labor market

Continued on Page 12

Treasury Accelerated Financial Reporting

On November 15, 2002, the United States Department of the Treasury successfully completed its audit and produced its integrated Performance and Accountability Report (PAR) with an unqualified opinion for the third year in a row. Treasury accelerated the audit and production of the report by 3½ months from Fiscal Year 2001 and met the Office of Management and Budget's deadline two full years ahead of the mandated requirement for the Federal government. This accomplishment is more impressive when one considers the size and diversity of Treasury's bureaus, which have a wide variety of core financial systems. Three of Treasury's bureaus —Alcohol Tobacco & Firearms, U.S. Customs, and the Internal Revenue Service (IRS) — account for approximately 98% of all revenues collected by the Federal government, yet the core financial systems of Customs and IRS have significant material weaknesses.

As a result of Treasury's success at year-end, many Federal agencies have asked to review Treasury's timeline in order to duplicate this accomplishment. The critical element in Treasury's success, however, will not be found in the timeline. Rather, this success is due to the fact that Treasury reengineered the daily and monthly closing processes as part of its 3-Day Close Project. The 3-Day Close Project, along with hard work and dedication throughout the year, is what prepared Treasury to close in such an accelerated timeframe.

The 3-Day Close Project in Review

When the Secretary of the Treasury, Paul O'Neill, was sworn into office on January 2001, he was disappointed to learn that the Treasury took over 20 days to close its monthly books and 5 months to close the books and report audited financial information at year-end. Before joining the Treasury, Secretary O'Neill was the Chief Executive Officer (CEO) at Alcoa where the monthly books were closed in 3 days and 8 days at the end of the year. Alcoa had previously closed the books each month in 8 days, which was the industry average in the private sector at the time. Mr. O'Neill then initiated a "3-Day Close" project and this 18-month project accelerated Alcoa's closing processes, benefiting Alcoa in numerous ways. Externally, stockholders responded by elevating stock prices due to industry analysts' increased confidence. Internally, Alcoa's managers responded with real-time improvements in decision-making due to their reliance on more timely and relevant information.

On April 11, 2001, Secretary O'Neill challenged Treasury bureaus to improve their reporting capabilities over the next 15 months by moving to a 3-day, monthly closing of the Treasury's books by no later than July 3, 2002. Treasury was concerned that 15 months was not enough time to achieve a 3-day close; however, the timeframe was appropriate because it forced the Department to seriously assess and reengineer its business and financial processes. With a longer timeframe, the Department would have achieved incremental improvements early in the project but would not have reached a 3-day close without eventually conducting a significant reengineering effort.

Following Secretary O'Neill's lead, the Department worked quickly to define and scope the 3-Day Close Project. Several months after initiating the project, a full-time program manager was hired and a Project Management Plan was developed that clarified the tasks, responsibilities, benefits, guidelines, and performance measures for the project. A monthly progress report was produced each month for the

Continued on Page 12

William H. Campbell
Assistant Secretary for Management and CFO of the Department of Veterans Affairs

New Chief Financial Officers

The federal financial community welcomes several Chief Financial Officers.

William H. Campbell was sworn in as Assistant Secretary for Management and Chief Financial Officer (CFO) of the Department of Veterans Affairs (VA) on November 27, 2002. In this position, he is responsible for planning, managing, coordinating and overseeing all financial, budgetary, acquisition and logistics policies, systems and operations for VA. VA has a budget of $56 billion and more than 220,000 employees. Prior to that, Mr. Campbell served as VA's Deputy Assistant Secretary for Finance and Deputy CFO since October 2000. He was the CFO at the Coast Guard prior to joining VA. He holds a master's degree in technical management from John Hopkins University; a diploma in resource management from the Industrial College of the Armed Forces and a bachelor's degree in marine and electrical engineering from the Massachusetts Maritime Academy.

Dr. Paul R. Corts is the U.S. Assistant Attorney General for Administration and CFO at the Department of Justice. In this position, he oversees the Department's Justice Management Division and assists senior management officials with issues regarding the Department policy for evaluation, budget and financial management, personnel management and training, procurement, real property and material management and other matters pertaining to Justice's management and administration.

Clarence C. Crawford is the CFO at the Office of Personnel Management. An article on Mr. Crawford can be found on page 5.

Susan Rabern is the new CFO at the U.S. Agency for International Development.

FASAB update

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Exposure Draft on Accounting For Imputed Intra-Departmental Costs

The Federal Accounting Standards Advisory Board (FASAB) issued an exposure draft for a proposed interpretation of Statement of Federal Financial Accounting Standards 4 (SFFAS 4), Managerial Cost Accounting Concepts and Standards. The exposure draft, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4, clarifies par. 110 of SFFAS 4, with respect to recognizing imputed intra-departmental costs. Comments on the exposure draft are requested by January 8, 2003. The exposure draft is available at the FASAB Web site, www.fasab.gov. Please contact: Melissa Loughan, 202-512-5976.

Reclassifying Stewardship Responsibilities and Eliminating the Current Services Assessment

The Board confirmed its previous tentative decisions to:

—eliminate the requirement to present the current services assessment and classify information about risk assumed as required supplementary information (RSI), effective immediately;

—classify the Statement of Social Insurance as an integral part of the basic financial statements, and classify other information about social insurance as RSI, effective for FY 2005.

At its meeting in February, the Board will consider a pre-ballot draft of a final Statement of Federal Financial Accounting Standards to accomplish these changes. For more information, contact: Robert Bramlett, 202-512-7355, bramlettr@fasab.gov.

Dedicated Collections

The Board tentatively agreed on recognizing dedicated collections as a segregated portion of net position. The Board also discussed ways in which the flows (e.g., revenues and expenses) could be segregated on the financial statements. The Board generally agreed that this category should include funds that have been designated for a specific purpose by law, including funds classified as revolving funds, trust funds, and special funds. Contact: Andrea Palmer, 202-512-7360, palmera@fasab.gov.

Exposure Draft on Fiduciary Activity

The Board agreed to finalize an exposure draft on accounting for fiduciary activities for release early in 2003. Fiduciary activities include the Thrift Savings Fund, Indian monies, escrow funds, and other funds. The exposure draft contains a proposed definition and criteria for differentiating "true" fiduciary activity from earmarked revenue. This differentiation is necessary due to use of "trust fund" to track both types of federal activity. The ED would also propose accounting and reporting requirements for fiduciary activity. The proposed standard would require: a) recognizing certain assets and liabilities in the financial statements of the Federal administrative entity, and b) providing footnote disclosure as an integral part of the basic financial statements. The disclosures would have to conform to the recognition and measurement criteria in the FASAB standards. Concurrently, the Board is developing a standard to improve accounting and reporting for dedicated collections. For more information, contact: Richard Fontenrose, 202-512-7358, rfontenrose@worldnet.att.net

Natural Resources Project

The FASAB staff presented its analysis of Board comments on issues outlined at the previous meeting and on recommendations from the Natural Resources task force's June 2000 discussion paper. Members generally supported describing and recognizing natural resources owned by the Federal government, provided recognition criteria is met. Members also favored developing individual standards for each type of natural resource. Based on staff analysis and recommendations, the Board concurred with beginning the project by addressing oil and gas resources. The Board also agreed that the sample framework for the oil and gas resource phase, which included excerpts from private sector guidance, should be used as a model for all phases of the project. At its February meeting, the Board will begin discussing accounting for oil and gas resources.

For more information, contact: Monica Valentine, 202-512-7362, valentinem@fasab.gov, and Rick Wascak, 202-512-7363, wascakr@fasab.gov.

AAPC 2003 Calendar

The AAPC will meet as needed in 2003. Dates will be announced at least 15 days in advance of meetings. Agendas will be posted to the FASAB web page one week prior to meetings. Point of contact: Monica R. Valentine, 202-512-7362, valentinem@fasab.gov

2003 Calendar

All meetings will be held in the General Accounting Office Building, 441 G Street, NW, Washington, DC 20548, from 9:00 a.m. until 4:00 p.m. Room numbers will be available before each meeting. The meeting agenda will be released approximately one week before the meeting. The agenda will be available via the electronic mailing list, the FASAB website, or by calling, 202-512-7350.

February 12-13, 2003	August 13-14, 2003
April 23-24, 2003	October 8-9, 2003
June 18-19, 2003	December 10-11, 2003

For more information, see www.fasab.gov

Integrated Acquisition Environment - Unifying and Simplifying the Acquisition Process Through Shared Services

The President's Management Agenda is important to everyone in Federal government as well as everyone in industry that supports the Government. The President included "expanding E-Government" as an integral component of the agenda for making government more focused on citizens and results. The agenda identified 24 initiatives that will simplify and unify federal agency work processes and provide one-stop services to citizens through use of digital technologies. The plan for implementing E-Government is being led by Mark Forman, Associate Director of Information Technology and e-Government of the Office of Management and Budget (OMB).

The E-Government initiatives focus on multi-agency projects that improve citizen services and yield the greatest performance gains. The initiatives are categorized into several portfolios, one of which, the Internal Efficiency and Effectiveness (IEE) portfolio, brings commercial best practices to key government operations, particularly supply chain management, human capital management, financial management and document workflow. Overall, the initiatives represent an opportunity to effectively use federal funds to accelerate government response times from weeks down to minutes. In addition, the initiatives provide an opportunity to save billions of dollars now spent by citizens, businesses, and state and local governments in order to comply with paperwork-intensive government processes. The outcome will transform how business is done internally and how the government interacts with its citizens and customers.

One of the high payoff initiatives that E-Government has embraced under the IEE portfolio is the Integrated Acquisition Environment (IAE). The vision of this initiative is an environment that focuses on the common acquisition functions/needs, such as the ability to search for suppliers, and manage them as shared services. By addressing these functions as government-wide shared services, existing acquisition capabilities within agencies can be leveraged and the acquisition lifecycle will become a streamlined business process. Considering that the Federal government is the largest purchaser in the world, spending anywhere from $190 billion to $220 billion annually on the acquisition of goods and services, improving the efficiency of the process will substantially reduce costs and make taxpayers dollars available for other programs.

The Integrated Acquisition Environment is being developed under the management of the General Services Administration (GSA), through the collaborative work of five cross-agency teams from 21 agencies. Some work one day a week, and others contribute virtually.

Government agencies utilize multiple methods of acquisition, work with thousands of suppliers, and purchase millions of different products and services. The intent is to develop cross-agency standards to eliminate duplication of efforts, enable exchange of data, and maximize use of existing capacity. The

Continued on Page 14

New JFMIP Steering Committee Member

Clarence C. Crawford
Associate Director for Management and CFO, U.S. Office of Personnel Management

Clarence C. Crawford is the newest member of the JFMIP Steering Committee. He was appointed the Associate Director for Management and the Chief Financial Officer (CFO) at the U.S. Office of Personnel Management. He manages the agency's budget, strategic planning and reporting, internal controls, security, human capital, administrative operations and services. He also provides day-to-day supervision of the Chief Information Officer and EEO Officer and coordinates e-Gov initiatives with the e-Gov Program Director. Mr. Crawford also served as the Director for the Office of Executive Resources and Management. Recently, he was a 2002 Meritorious Presidential Rank Award recipient.

From 1999 to 2002, Mr. Crawford was the CFO and Chief Administrative Officer of the U.S. Patent and Trademark Office (PTO), Department of Commerce. He helped transform the PTO into a results-driven organization. Prior to that, he was the Associate Director for Administration at the Office of Management and Budget; and Associate Director for Education and Employment Issues, and Director of Operations of the National Security and International Affairs Division at the General Accounting Office. Mr. Crawford was the Director of Planning and Project Management with the Internal Revenue Service, where he began his federal career as a Presidential Management Intern. He served as a District of Columbia police officer before joining the Federal government.

Mr. Crawford received a Bachelor of Science in Criminal Justice from American University and a Masters of Public Administration.

Consolidating and Standardizing Federal Civilian Payroll Processing

On January 15, 2003, the Office of Management and Budget (OMB) and the U.S. Office of Personnel Management (OPM) announced the selection of two payroll partnerships to consolidate federal payroll systems and save the federal government an estimated $1.2 billion over the next decade. The project will help realize the President's goal of leveraging E-Government to enable agencies to operate more efficiently, thereby enabling the federal government to dedicate a greater share of its resources to the ultimate mission of serving the citizen.

As the managing partner of the e-Payroll initiative, OPM conducted an internal competition and recommended that two payroll partnerships be formed – one partnership between the Defense Finance and Accounting Service and the General Services Administration (GSA), and the other between the Department of Agriculture's (USDA) National Finance Center and the Department of Interior's (DOI) National Business Center. The Department of Defense (DoD) and USDA are currently two of the largest government providers of payroll processing.

Currently, the 22 federal payroll providers serve anywhere from 1,250 to 680,000 government employees at an average annual cost of $77 per employee. Last February the President's budget identified an objective of consolidating the current payroll providers into two by FY 2004. With the selection of two payroll partnerships, the payroll processing will be consolidated into four agency providers for the entire federal government.

A memo released by Mitchell E. Daniels. Jr., Director of OMB, identifies OPM to create and lead a Program Management Office to: consolidate federal Executive Branch civilian payroll providers, migrate agencies to two payroll processing partnerships, standardize federal civilian payroll policy, and to enable the pursuit of competitive sourcing. The memo issues agencies the following guidance:

- DoD, GSA, DOI, and USDA will proceed with payroll processing migration, consolidation to two processing partnerships, and standardization under OPM's leadership.
- Agencies who receive payroll processing from DoD, GSA, DOI, or USDA will remain with those providers through September 30, 2004.
- Agencies identified to migrate to a new provider must confirm selection of a payroll processing provider with OPM no later than February 3, 2003.
- Agencies other than DoD, GSA, DOI, and USDA shall not spend FY 2003 funds for modernization of payroll processing unless that IT investment facilitates the agency migration to one of the consolidated payroll processors.

For further information, go to the OMB website, www.whitehouse.gov/omb.

Volcker Commission Issued Report to Reform the Public Service

The National Commission on the Public Service recently issued a report, *Urgent Business for America: Revitalizing the Federal Government for the 21st Century*. Paul A. Volcker led the Commission, which included ten distinguished members. In the preface, it was mentioned that it has been fifty years since the last comprehensive reorganization of the Federal government. The report made 14 recommendations to revitalize the federal public service to meet the demands of the 21st century.

The Commission report highlights many issues including organizational chaos, a one-size-fits-all management, vanishing talent, and outdated personnel systems that have caused a decline in the levels of public trust in government. Although the American people want to trust and respect their government, this will not occur until the quality of the government performance improves.

Disciplined policy direction, operational flexibility, and clear and high performance standards were the guiding objectives of the Commission's proposals. The report states that fundamental reorganization of the Federal government is urgently needed to improve the capacity for coherent design and efficient implementation of public policy. Some of the recommendations are:

- The government should be reorganized into a limited number of mission-related executive departments.
- The operating agencies in these new departments should be run by managers chosen for their operational skills and given the authority to develop management and personnel systems appropriate to their missions.
- The President should be given expedited authority to recommend structural reorganization of federal agencies and departments.
- Congress should realign their committee oversight to match the mission-driven reorganization of the Executive Branch.

In addition, the Commission report stated that effective government leadership requires immediate changes in the entry process for top leaders and long-term development of a highly skilled federal management corps. Other recommendations on the operational effectiveness in the Federal government stated that the federal workforce must be reshaped, and the system that support it must be rooted in new personnel management principles that ensure much higher levels of government performance.

The full report can be found at the National Commission on the Public Service website, www.brookings.org/gs/cps/volcker.

FINANCIAL MANAGEMENT
PROFILE

Christopher Burnham, a Chief Financial Officer (CFO) Council Executive Steering Committee member, is a former investment banker, state legislator and state treasurer. Currently serving at the Department of State (DoS), he is the Assistant Secretary for the Bureau of Resource Management (RM) and CFO. This is a new bureau created by the Secretary of State to integrate strategy, planning and performance in support of foreign policy initiatives and to integrate international affairs resource submissions to the Office of Management and Budget and Congress.

Prior to coming to the DoS, Mr. Burnham served as the Chief Executive Officer of a leading asset management and mutual fund company, PIMCO's Columbus Circle Investors. In 1994, he was elected treasurer of Connecticut. Before this, Mr. Burnham was an investment banker with Credit Suisse First Boston and Advest Corporation. He was elected to the Connecticut House of Representatives three times, and served as assistant minority leader. He is also a lieutenant colonel in the U.S. Marine Corps Reserve and is a veteran of the Gulf War.

During the course of his career Mr. Burnham has devoted himself to the pursuit of both public and private sector opportunities; splitting his time about equally in each area. He has found the combination of his private and public sector experiences to be extremely valuable and important in his current quest to improve State Department financial operations.

Christopher B. Burnham
Assistant Secretary of State for Resource Management and Chief Financial Officer

Chief Financial Officer

The role of the State Department CFO has changed. Under the new structure, the portfolio has expanded to include foreign assistance and strategic planning and performance. All DoS resources are now managed and integrated by the CFO making him responsible for securing resources needed by the State Department to meet foreign policy priorities and to integrate budgeting, planning and performance. He is committed to providing the finest financial platform for support of foreign policy objectives while ensuring that the citizen's money is spent wisely and productively.

Major accomplishments of the financial management team include:

- Replacing legacy accounting and disbursing systems. The new system must support daily payments to more than 60,000 people in 168 countries. The systems support a worldwide operation for the Department and over 40 other agencies of the Federal government. The management team is making significant progress toward replacing the existing financial management system products. When this is completed, the Department will benefit by having a consolidated system that provides savings with respect to how State Department operations and employees are supported.
- Achieved the Department's goal of producing clean, unqualified timely financial statements for 5th year in a row.
- One of four major federal agencies recognized with the Certificate of Excellence for Accountability Reporting award from the Association of Government Accountants.
- Resolved all three material weaknesses under the Federal Managers' Financial Integrity Act (FMFIA).

Leadership

First and foremost Mr. Burnham views the ability to lead people in positive change as the most important aspect of his position. The men and women of the State Department are the intellectual capital through which foreign policy is implemented. U.S. foreign policy is only as good as the people that develop, support and implement it. Secondly, Mr. Burnham is a strong advocate of continuous training and the development of human potential. To help replenish the pool of well-trained professionals available to serve abroad, the CFO is working with the Foreign Service Institute and Director General to implement a new training program open to all State Department financial managers and bureaus around the world. He understands the importance of financial management to organizational success. Mr. Burnham believes that both public and private sector financial professionals need to be equipped for continuous contribution to their organizations.

Financial Management

When asked about the limitations of the federal budgeting process, he responded that the one-year horizon is the greatest limitation and would prefer biennial budget cycles and hearings. As a member of the State of Connecticut legislature, he served on the Appropriations Committee. During this service on the appropriations committee, the state moved from preparing annual budgets to biennial budgets. Many states have since changed to a biennial budget process. There are lessons to be learned, in Mr. Burnham's opinion, from the states for application in the federal process.

Mr. Burnham recognizes that financial management laws like FMFIA and the Federal Financial Management Improvement Act (FFMIA) are affecting the State Department in a number of ways. The annual Performance and Accountability Report and the single integrated financial management system are the major products resulting from both of these acts. Mr. Burnham views the integrity of financial statements and financial systems as paramount.

He is pleased that the State Department financial statements have fewer material weaknesses and reportable conditions than previously. More than a dozen material weaknesses and reportable conditions were reduced to one material weakness and three reportable conditions. Mr. Burnham anticipates that the Secretary of State will be able to provide an unqualified assurance statement and that there will be no material weaknesses as described in FFMIA by the end of calendar year 2002.

Continued on page 15

GAO Issues Report on the Effective Use of Human Capital Flexibilities

On December 6, 2002, the General Accounting Office (GAO) issued a timely report on the use of human capital flexibilities in the federal government (Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces, GAO-03-2). The Senate Committee on Governmental Affairs and two of its subcommittees asked GAO to provide information on agency and union officials' views about (1) the most effective flexibilities for managing their workforces, (2) additional flexibilities that would be helpful in managing their workforces, and (3) whether employee rights could be protected if additional flexibilities were authorized and implemented within agencies. GAO was also asked to identify key practices for the effective use of human capital flexibilities within agencies.

GAO's interviews with over 250 agency and union officials revealed four categories of flexibilities that officials viewed as most effective in managing their agencies' workforces. The four categories are (1) work-life policies and programs, such as alternative and flexible work schedules, transit subsidies, child care assistance, and employee assistance programs,

(2) monetary recruitment and retention incentives, such as recruitment and relocation bonuses for hard-to-fill positions; (3) special hiring authorities, such as student employment and outstanding scholar programs, and (4) incentive awards for superior job performance and specific accomplishments, including cash and time-off awards.

Although an agency's first priority should be to improve their human capital management by using authorities already available to them, GAO identified five categories of additional flexibilities that agency and union officials cited as potentially being most helpful in managing their workforces if additional flexibilities were indeed authorized. These additional authorities include (1) more flexible pay approaches, (2) greater flexibility to streamline and improve the federal hiring process, (3) increased flexibility in addressing employees' poor job performance, (4) additional workforce restructuring options, and (5) expanded flexibility in acquiring and retaining temporary employees. GAO noted that these suggestions by agency officials and union representatives provide a starting point for executive branch decision makers and Congress to consider as they seek to reform federal human capital policies and practices.

The agency managers and supervisors and human resources officials GAO interviewed generally agreed that additional human capital flexibilities could be authorized and implemented in their agencies while also ensuring protection of employees' rights. Union representatives, however, expressed a variety of opinions on the ability of agencies to protect employee rights. Some believed that employee rights could be protected with additional managerial flexibility, while others were concerned that managers would abuse their authority and agency leaders would not take appropriate disciplinary action. According to agency and union officials, one of the more effective ways to ensure protection of employees' rights when implementing flexibilities is to make certain that supervisors and employees are fully aware of the available flexibilities, the procedures to use them, and the associated rights and responsibilities of both managers and employees when using them.

Based on GAO's interviews with human resources directors from across the federal government and its previous human capital work, GAO identified six key practices that agencies should implement to use human capital flexibilities effectively. The six practices are as follows:

- Plan strategically and make targeted investments. Agencies need to ensure that the use of flexibilities is part of an overall human capital strategy clearly linked to the program goals of the organization. Agencies also need a sound plan for how they will use and fund the authorities.

- Ensure stakeholder input in developing policies and procedures. Agency leaders, managers, employees, and employee unions must work together and in a constructive and cooperative manner to effectively implement any flexibility in order to reach agreement on the need for change, the direction and scope that change will take, and how progress will be assessed.

- Educate managers and employees on the availability and use of flexibilities. Agencies' human capital offices need to ensure that they have effective campaigns not only to inform managers of their personnel authorities, but also to explain the situations where the use of those authorities is appropriate. Agencies also need to inform employees about relevant policies and procedures and about the employees' rights related to the use of these authorities.

- Streamline and improve administrative processes. Agencies need to streamline administrative processes for using flexibilities and should review administrative processes for self-imposed constraints.

- Build transparency and accountability into the system. Agencies should delegate authority to use flexibilities to appropriate levels within the agency. Agencies must develop clear and transparent guidelines for using flexibilities and then hold managers and supervisors accountable for their fair and effective use.

- Change the organizational culture. Agencies need to address concerns of managers and supervisors that employees will view the use of some flexibilities as unfair. Also, with appropriate accountability mechanisms in place, agencies can begin to foster an organizational culture that encourages managers to develop creative approaches and take appropriate risks.

In addition, based on its interviews with agency and union officials, GAO identified several significant reasons why agencies

Continued on Page 15

FINANCIAL MANAGEMENT

PROFILE

Nancy Fagenson Potok began her federal career with the Department of Army as a technical writer for the Development & Readiness Command in Huntsville, AL. In 1980, after completing her Master's degree, Ms. Potok was selected as a Presidential Management Intern (PMI) with the Department of Transportation (DOT) and relocated to Washington, DC. During her internship, Ms. Potok accepted developmental assignments at the Federal Aviation Administration, the Office of the Secretary of Transportation, and on the Senate Appropriations Committee. After completing the PMI program, she accepted a position as a budget examiner at the Office of Management & Budget. Ms. Potok was a valuable asset to OMB, and her many contributions to the agency were recognized as she progressed through the agency to senior examiner. In 1989, Ms. Potok transferred to the Administrative Office of the U.S. Courts, where she eventually served as the Acting Assistant Director and Deputy Assistant Director for Finance and Budget.

Nancy F. Potok
Principal Associate Director for Administration and Chief Financial Officer U.S. Census

Ms. Potok's congressional liaison and OMB ties along with her ability to lead a staff of high performers prepared her for her next assignment at the US Census Bureau, a part of the Department of Commerce. Ms. Potok joined the Census Bureau in November 1995, becoming the bureau's first Controller. She subsequently was named Associate Director for Administration/Controller in May 1996, and Principal Associate Director and Chief Financial Officer in April 1997. Ms. Potok is responsible for the strategic planning and operations for the Census Bureau's Policy Office, Field Operations, Information Technology, Administration, and Financial Management. Her ability to contribute to the agency's success is due in large part to the flexibility she has in managing many diverse projects as well as to a high performing staff. Ms. Potok is a strong champion of lifelong learning for the workforce, including Senior Executives. During the coming 12 months, she will be on an Intergovernmental Personnel Act detail as a visiting executive with NORC, the National Opinion Research Center affiliated with the University of Chicago.

Ms. Potok earned a Masters Degree in Administrative Science in 1980 from the University of Alabama, where she was named Outstanding Graduate. She received a Bachelors of Arts Degree in Environmental Studies and Planning from Sonoma State University in 1978. She is an associate member of the National Academy of Public Administration Panel on Executive Organization and Management and a member of the editorial board of The Public Manager. Ms. Potok received the Arthur S. Fleming Award in 1991, honoring outstanding young men and women in the federal government, and the Secretary of Commerce's Silver Medal in 1998 for her special achievements at the Census Bureau. She has published and presented numerous articles and papers on management topics.

Ms. Potok has achieved significant accomplishments throughout her career. The most recent were her efforts contributing to the successful completion of Census 2000, the decennial census of population and housing. The census, which cost over $6 billion, has been called the largest peacetime mobilization in the history of the country and required, among other things:

- Recruitment of nearly 3.8 million people
- Accurate weekly payroll peaking at 960,000 people
- The set up and staffing of twelve regional centers and 520 temporary local census offices operating nationwide
- Developing and installing over a dozen interrelated high-tech information technology (IT) systems in these field offices
- Set up of three processing centers nationwide to capture information from 120 million questionnaires
- Paid advertising campaigns via TV, radio, billboards and printed media in multiple languages, along with hundreds of thousands of partnerships with local community groups, governments, and corporations
- Questionnaires printed in five languages and the translation of the questionnaires available in 49 languages

Challenges

Although Ms. Potok believes that changing organizations throughout one's career can add strength and diversity to one's skills and knowledge, she also views a generalist background as a challenge in certain respects. Specifically, generalists working in organizations where the core mission is specialized, such as in scientific or technical agencies, often have to work especially hard to demonstrate that general management is a profession. The best way to gain the confidence of the specialists in the organization is to learn a lot about the core mission and be able to demonstrate that better management practices actually add value to the mission. This can take time, slowing down management improvements, but is usually better for an organization in the long run.

Leadership

Ms. Potok's view on leadership is straightforward – have a vision, communicate it clearly and consistently, provide direction, set the tone for the organization or staff, respect the contributions of managers and their subordinate staff, and create an environment that enables them to succeed. Ms. Potok is an advocate of the President's Management Agenda. Her advice to those aspiring to leadership positions is to seek out challenging assignments (devoting 100% of your efforts), develop a support system that includes management, and learn how to really listen to your mentors, coaches, and coworkers.

The Joint Financial Management Improvement Program (JFMIP) is a cooperative undertaking of the U.S. Office of Management and Budget (OMB), General Accounting Office (GAO), Department of the Treasury, and Office of Personnel Management (OPM), working in cooperation with each other and all federal agencies to improve financial management practices in government.

The JFMIP Principals are the OMB Director, the Comptroller General of the United States, the Secretary of the Treasury, and the OPM Director. The Principals designate representatives to serve on a Steering Committee responsible for the general direction of the Program. A program agency representative and the JFMIP Executive Director also serve as members of the Steering Committee.

JFMIP Confere

March 1

On-site registration starts at 7:00 am a

The President's Management Agenda sets forth priorities in transforming management at Federal agencies. Find out the latest progress made on the government-wide goals, including competitive sourcing, integration of budget and performance, strategic management of human capital, e-government and improved financial performance. A session on improving financial statements for federal government will also be held.

Keynote Speakers

Mitchell E. Daniels, Jr.
Director, Office of Management and Budget (OMB)

Kay Coles James
Director, Office of Personnel Management (OPM)

David M. Walker
Comptroller General of the United States

Awards Presentation

The Donald L. Scantlebury Memorial Awards for Distinguished Leadership for Financial Management will be presented during the luncheon session.

Morning Concurrent Sessions

Improving Financial Statements

Leader: Kathleen Turco, Chief Financial Officer (CFO), General Services Administration
Donald Hammond, Fiscal Assistant Secretary, Department of the Treasury
Dale Sopper, Acting Associate Administrator for Finance, Assessment and Management, Social Security Administration
D. James Sturgill, Assistant Commissioner, Governmentwide Accounting, Financial Management Service

Competitive Sourcing

Leader: Clarence Crawford, Associate Director for Management and CFO, OPM
Dr. Bruce Carnes, CFO, Department of Energy
Ira Goldstein, Vice President and Managing Partner, Federal Government Group, UNISYS
John Kalavritinos, Associate Administrator for Competitive Sourcing, Office of Federal Procurement Policy, OMB

ence Program
11, 2003
nd the program begins at 8:00 am.

Integration of Budget and Performance
Leader: Paul Posner, Managing Director, Federal Budget and Intergovernmental Relations, GAO
Betty Buxton, Deputy CFO, Bureau of Land Management, Department of the Interior
Dr. Linda Combs, CFO, Environmental Protection Agency
Marcus Peacock, Associate Director, National Resource Programs, OMB

Luncheon Session

Moderator: Joseph Kull, Deputy Controller, OMB, and Chair, JFMIP Steering Committee

Presentation of Donald L. Scantlebury Memorial Awards

Afternoon Concurrent Sessions

Strategic Management of Human Capital
Leader: Karen Cleary Alderman, Executive Director, JFMIP
Angela Antonelli, CFO, Department of Housing and Urban Development
Sallyanne Harper, CFO and Mission Support Officer, GAO
Michael Montelongo, Assistant Secretary for Financial Management, Department of the Air Force
Marta Brito Perez, Associate Director, Agency Merit System Accountability and Human Resource Programs, OPM

E-Government and Enterprise Architecture
Leader: Jerry Williams, Chief, Financial Systems Branch, OMB
Joanne Boutelle, Deputy CFO, Department of Defense
Stephen Galvan, Portfolio Manager, Internal Efficiency and Effectiveness, E-Government, OMB
Norman Lorentz, Chief Technology Officer, OMB

Improving Financial Performance
Leader: Jeffrey Steinhoff, Managing Director, Financial Management and Assurance, GAO
Mark Carney, Deputy CFO, Department of Education
Robert Reid, Deputy Fiscal Assistant Secretary for Accounting Policy, Department of the Treasury
Teresa Sorrenti, Project Manager, General Services Administration
An OMB Official

CPE Credit The Conference qualifies for 7 hours of continuing professional education credit.

Registration Information
The registration fee is $150. Attendance at this conference can be approved under the Government Employees' Training Act. Registration and payment should be submitted no later than March 5, 2003. Early submissions are recommended. Submissions made after March 5 will be accepted only if space is available, and late participants may have to register at the walk-in registration desk at the conference site.

Cancellations must be in writing and received by March 4, or a billing will be made. Substitutions will be accepted. Individuals from Federal agencies may charge their registrations or submit an approved training authorization or purchase order. The purchase order should include a complete mailing address, phone number and billing address for each participant.

You may register electronically through the JFMIP website, www.jfmip.gov or submit a registration form and a check payable to Graduate School, USDA. Visa, MasterCard, Diners Club and American Express are accepted. All authorizations, checks and registrations should be sent to:

JFMIP Conference
Graduate School, USDA
600 Maryland Ave SW (IH)
Washington, DC 20024-2520

Registrants will receive written confirmation by mail or fax that they are registered to attend the Conference. Please indicate an email address or fax number on your registration form, especially if you are registering in late February or in early March. For further information about registration, please contact Isabelle Howes, (202) 314-4713 or fax (202) 479-6801.

Hotel
The hotel is located at 1919 Connecticut Avenue NW, Washington, DC. It is four blocks north of the Dupont Circle Metro stop on the Red line.
A small block of rooms is available at the Hilton Washington and Towers at the government rate. Please call the hotel reservation desk at (202) 483-3000 by February 18 and indicate that you are with the JFMIP Conference.

Treasury Accelerated Financial Reporting

Continued from page 3

Secretary on the status and progress of the 3-Day Close project. Tables and charts that tracked the progress of each Treasury bureau were a critical component of the monthly progress report. This report clearly enumerated the number of days it took individual Treasury components to close each month, clearly outlining accountability and responsibility. The bureaus were aware that the Secretary monitored these charts closely and was familiar of the progress of each bureau.

Within the first few months of the project, several bureaus were able to close their books within 3 days. These were bureaus that already had accelerated closing schedules that only needed minor tweaking in order to close their books in 3 days. For most of the bureaus, substantial reengineering work was required to be able to close in 3 days. In order to accomplish the goal, the bureaus developed their own project plans and formed project teams. The Department also formed 3 issue teams comprised of bureau and headquarters personnel to address global issues impacting all the bureaus in the following areas: Elimination Entries & OPAC/IPAC Billings; Financial Management Service (FMS) Reports; and Standard Monthly Accruals/External Agency Data.

By January 2002, over half the bureaus were closing within 3 days yet the largest bureaus, IRS and Customs, had not yet achieved success. However, both bureaus were demonstrating clear progress and were working hard to overcome the weaknesses of their systems. The Department provided assistance, as needed, to work with all the bureaus to overcome issues and obstacles that could potentially impede their progress. Since all the bureaus appeared to be on schedule to achieve the 3-day close within the Secretary's 15-month timeframe, the Department began to focus more closely on the quality and completeness of the monthly bureau data submissions. Up to this point, data quality had not been evaluated. To address the data quality issue, a Data Quality Scorecard was developed and included in the monthly progress report. The Data Quality Scorecard objectively assessed representative and problematic data items from the bureau data submissions each month. At this point, the Department also began its efforts to define the form and content of a Monthly Financial Management Report.

By May 2002, all the bureaus were closing their books in 3 days or less. In June, all the bureaus had perfect scores on the Data Quality Scorecard and the Department was able to produce the Monthly Financial Management Report and financial statements from Treasury's data warehouse on the morning of the fourth business day each month. In order to formally declare success, the Department also had each bureau certify that:

- Their data was accurate, consistent, and complete
- There was no data that was only updated/reported on a yearly or quarterly basis
- Their Period 12 data and Period 13/14 data would not be substantially different
- They would be able to complete the year-end close by November 15, 2002

There were nine critical success factors that contributed significantly in the Department achieving a 3-day close:

1. **Management Commitment** – The Department had commitment for this project at the highest levels, specifically the Secretary of the Treasury. With the Secretary's leadership and vision clearly enunciated, the bureau heads and CFOs rallied behind the project as well.
2. **Auditor/Inspector General Involvement** – The Office of Inspector General (OIG) was actively involved with the project since its inception. OIG participation was especially helpful in reengineering processes and developing new estimation methods.
3. **Communication** – The Department used multiple methods and mediums to

Continued Opposite

A Joint Perspective

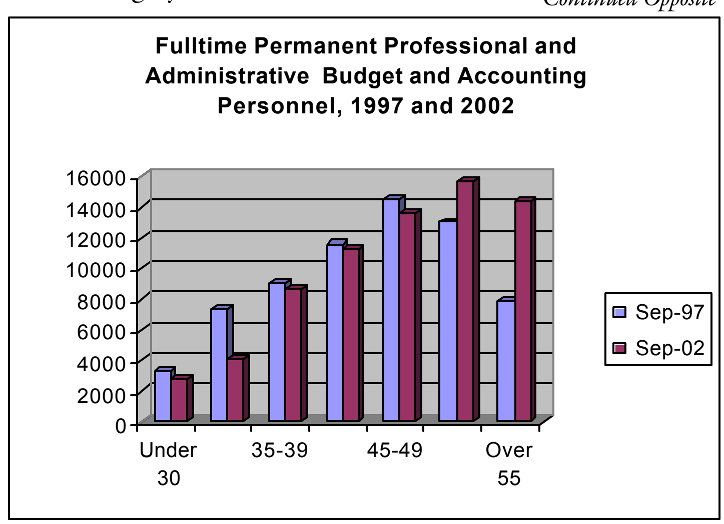
Continued from page 2

years of 1997 to 1999, one younger employee separated for every new hire. During 1997, more than half of professional and administrative financial management personnel under age 35 with less than 5 years of service and 17 percent of those with 5 to 9 years of service separated from government. In 1999, the percentages that left federal service were 40 and 16, respectively. In 2001, a comparatively higher unemployment year, the separation rates for this younger cohort was 9 and 5 percent, respectively. These trends suggest that younger employees are much more mobile and sensitive to economic cycles. The "golden handcuffs" that used to click on after the 5th year does not appear strong until after the 10th year of service.

In comparison, less than 5 percent of professional and administrative personnel between 35 and 55 years old with 10 to 30 years of service leave each year. In 2002, this cohort included about 40,000 of the 70,000 professional and administrative personnel, 15,700 of which were 50 to 55 years old. The key issue here is achieving the right skill mix to meet changing requirements in a population that is highly stable. For this group of employees the management tools have been blunt.

Finally, there is a growing end of career bulge. In 2002, one in five financial management professionals and administrative personnel was over 55 years old. In 1997, the separation rate for professionals and administrative personnel with 30 or more years of service was 27 percent. This dropped to 16 percent in 1998 and continued to decline to 12 percent 2001. The percentage of retirement eligible personnel who leave each year dropped by more than half in 6 years.

Continued Opposite



Continued from Opposite

communicate with the bureaus about the project including the monthly Treasury CFO Council meetings, the Monthly Progress Report, the 3-Day Close Homepage, memorandums, and email.

4. **Departmental Data Warehouse** – Each Treasury bureau has its own core financial system. In order to facilitate Department-wide reporting, Treasury developed a data warehouse several years ago to collect and consolidate bureau data submissions. This data warehouse also contained edit checks to ensure data accuracy and reliability. The presence of this data warehouse, before the 3-Day Close project was initiated, positioned Treasury to collect and report data a timely manner.
5. **Issue Resolution** – The Department established three issue teams and an issue resolution process to proactively resolve over 25 potential impediments. A critical issue in the process was conveying an understanding that it is acceptable in many situations to present estimates and accruals. The issue resolution process demonstrated to Treasury bureaus that the Department, as a whole, is committed to achieving success and views success as a collaborative team effort.
6. **Process Analysis** The Department worked closely with the bureaus to ensure that they seriously analyzed their business and financial processes. As a result, the bureaus did an excellent job of analyzing and reengineering their processes, rather than just trying to speed up their existing processes.
7. **Measurement and Reporting** – The Department tracked and reported the progress of the bureaus from the very beginning of the project. This created a bit of peer pressure and friendly competition between the bureaus to perform well. This *esprit de corps* proved critical as Treasury's divergent bureaus began to move together in a team approach, with all players feeling an obligation to succeed.
8. **Reward/Recognition** – The Department focused throughout the project on providing positive reinforcement to the bureaus that were outstanding achievers. It was not until the final months of the project that the Department highlighted and singled out those bureaus that were not achieving success.
9. **Full-Time Program Management** – Having a full-time program manager was critical to the resolution of bureau issues and oversight of bureau progress. The program manager was the only Departmental resource added and dedicated to the project.

Accelerated Year-End Close

From the outset of the 3-Day Close Project, the Department planned to accelerate the year-end audit and the release of the PAR. It was not until February 2002 that the Department formally committed to the Secretary to complete the FY 2002 audit and PAR by November 15, 2002. This was a very aggressive target given several of the bureaus had yet to achieve a 3-day close. However, the Departmental staff believed this was what the Secretary expected and the lessons learned would be invaluable for closing in future years regardless of whether or not we met the deadline.

The Departmental staff quickly developed a timeline for the accelerated year-end close that contained little room for error or delay. The timeline was developed by working backwards from November 15. The timeline was provided to the bureaus and monthly "Tollgate" meetings with bureau representatives were conducted to review progress and address issues. The biggest issue was arranging and funding the audit contracts to support the accelerated close. Fortunately, Treasury's Office of Inspector General was committed to the effort because they had to work closely with the Department to reengineer Treasury and OIG processes in order to complete the audits and meet the timeline. They also worked with the Department throughout the year to review the edit checks and crosswalks in our data warehouse.

Treasury was able to successfully accelerate the timeline for our year-end close because our data was accurate and up-to-date. The Departmental staff collected all data on monthly basis and subjected the data to extensive edit checks before depositing it in our data warehouse. By following the same comprehensive routine for closing each month, regardless of whether the month was the end of a quarter, our staff was less likely to make mistakes and our data was timely. Each month, the Department also produced its Monthly Financial Management Report, along with five of the six government financial statements, allowing the Departmental staff to perform a qualitative review of the data. The Department currently continues to produce the financial statements on a monthly basis and the staff is well prepared to submit the Department's financial statements in FY 2003 on a quarterly basis. It is no coincidence that the auditors consistently commented that the Department's data is of equal or better quality than the previous year, despite the accelerated timeframe.

Summary

There are no shortcuts to accelerating an agency's financial reporting. Treasury's success was the result of extensive work to reengineer how our processes work on a daily and monthly basis. This translates to getting things done right the first time and no longer batching work at the end of a month. As a result, the Department did not have any significant repair work to perform at the end of the year or each quarter; thus, Treasury was able to accelerate its timeline at the end of the year. Treasury is better off as a result of the 3-Day Close Project. The accounting staff have a great sense of pride in their accomplishment and is eager to take on new challenges such as implementing cost accounting within the Department. Management now receives better and timelier information to make decisions and manage its organizations. These benefits were clearly recognized by Treasury's bureaus upfront and provided key motivation and support for the project.

Continued from Opposite

Similar to their under 35 year old colleagues, retirement eligible employees may well be sensitive to economic cycles and post retirement income considerations. If 2002 rates of separation for retirement eligible personnel persist over the next five years, the aged over 55 will grow to about 19,000 —one-third the professional and administrative work force—by 2007.

These tends portend a much more fragile work force in the future with rapidly declining cohorts under 40 years old, increasing cohorts over 55 years old, and the potential for accelerated work force separations at the beginning and end of career cohorts once the economy improves. CFOs, in partnership with human capital managers will need better honed strategies and more flexible tools to manage through this change. The JFMIP study will go into greater detail regarding the financial management workforce challenges and potential strategies to address the issue.

White Paper on Financial System Data Conversion Considerations

The federal community has identified data conversion issues as a major challenge in the implementation of new core financial management systems. This paper intends to inform and raise awareness of the issues, risks, and potential problems in performing data conversion. The white paper discusses data conversion considerations when planning the replacement of a core financial system.

Examples of issues and questions for consideration when developing the scope of a data conversion project are:

- How far back will data in the general ledger and other systems be converted?
- Will data in funds that have been closed (expired for over five years) be converted into the new system or archived?
- Does the accounting classification coding structure in the legacy system comply with Federal standards and requirements?
- Will necessary, trained staffing resources be available to complete the conversion tasks on a timely basis?
- Will agency personnel or contractors review and clean-up current data in the old system prior to conversion?
- Is there sufficient time to conduct adequate testing of the conversion process to detect and correct errors prior to the conversion?

The paper walks the reader through the tasks attached to the three phases of a data conversion project: Pre-Conversion, Cutover, and Post-Installation. Pre-conversion consists of the activities performed prior to and leading up to the conversion, such as developing the conversion plan, data clean-up and validation, ensuring data integrity, and conducting necessary analysis and testing. Cutover consists of the activities that actually convert the legacy data to the new system, such as testing system process and data edits, testing system interfaces, supervising workload completion, and reconciliation. Post-installation activities consist of verifying data integrity, final disposition of the legacy data and monitoring of the first reporting cycle.

The White Paper is on the JFMIP website, www.jfmip.gov. For more information, please contact Elvon Lloyd at elvon.lloyd@gsa.gov or (202) 219-0532.

Integrated Acquisition Environment - Unifying and Simplifying the Acquisition Process Through Shared Services

Continued from page 5

Integrated Acquisition Environment will build bridges between existing islands of automation. Five modules make up the Integrated Acquisition Environment:

- Business Partner Network (BPN)
- Intra-governmental Transactions (IGT)
- Federal Procurement Data System (FPDS)
- eCatalogs
- Standard e-Transactions

Each module has its own project team and once the work is finalized, it will be integrated into one acquisition environment.

The Business Partner Network (BPN) will provide a web-enabled capability for identifying federal and industry trading partners (www.bpn.gov). It will create a single source of information for buyers and sellers including Equal Employment Opportunity compliance checks, size status, the Excluded Parties List information, past performance evaluations, Small Business Administration's ProNet, and Department of Defense's (DoD) Central Contractor Registration (CCR). The BPN will include grantees, federal entities, and companies seeking to do business with the Federal government. There will be changes to the Federal Acquisition Regulations in the upcoming months that will mandate the use of the BPN for (1) registration of vendors, (2) on-line representations and certifications, and (3) electronic funds transfer data source. Each agency will be required to determine the best method to integrate BPN data into existing procurement, financial and program systems. By January 31, 2003, all Federal agencies that engage in buying and selling with other Federal agencies are required also by OMB to be registered in the BPN. The registration is a step towards the future full electronic commerce capability. Every agency has a designated Agency Registration Official who is responsible for the registration process. This effort will consolidate and standardize detailed information about an agency's true trading partners that now resides in many different locations. DoD, Treasury, National Aeronautics and Space Administration, Department of the Interior, Office of Personnel Management are already using an early adopter's version of the BPN.

One of the essential systems that will be linked to the BPN is the Federal Past Performance Information Retrieval System (PPIRS). It is a shared data warehouse of reviews of vendors' performance on current or completed contracts that is used in source selection. Four federal systems feed into PPIRS; this provides acquisition officials information that helps determine whether a particular vendor would be able to perform satisfactorily on a government contract.

Intra-governmental Transactions (IGT) was addressed in the Fall 2002 issue of the JFMIP News (page 9, http://www.jfmip.gov/jfmip/download/newsletter/fall2002.pdf). This component of IAE is redesigning the process for reconciling inter-departmental transactions within Federal agencies for the consolidated U.S. Government Financial Statement. IGT straddles the line between finance and procurement. Standard procedures and common reference numbers will be required for storing data regarding ordering, acceptance, and payment that will result in fewer problems with eliminations. For example, when bills are paid by Treasury, common data elements stored in a central repository will make it easier to determine what account it goes to, who received it, and was it received, etc. The goal is to eliminate the stovepiped ordering process that exists now between agencies.

The next generation of Federal Procurement Data System (FPDS) is one of the modules of Integrated Acquisition Environment. The existing FPDS, which provides the central repository of statistical and management information related to government acquisitions was built in 1978. FPDS processes, summarizes, and correlates information on transactions, such as the product or service purchased, the dollar amount, the contractor's name and address, whether the award was competitive or not, where the item was manufactured or the service was performed, the government contracting office and much more. The system

Continued opposite

Integrated Acquisition Environment

Continued from previous page

database contains information on more than 5 million transactions with a cumulative dollar value exceeding $2.1 trillion and dates back to Fiscal Year 1979. At this time, the data elements and functional requirements for the next generation system have been identified and a solicitation is out for bid.

Another massive undertaking in the procurement process is searching through current contracts to determine if there is a suitable existing federal contract that can satisfy a buyer's needs. The eCatalogs module is developing an electronic directory of Government Wide Acquisition Contracts (GWACs), Multiple Agency Contracts, and any other procurement instrument intended for use by multiple agencies to provide program managers and buyers information on existing contracts available for government-wide use. The goal is to help acquaint potential customers about possible options through organized and faster access to basic information about these vehicles. Right now there is no single place where this information resides. In the near future a rule change to the Federal Acquisition Regulation (FAR) will be issued to mandate the population of the directory for existing and newly awarded multiple agency contracts and to encourage the use of this directory as part of acquisition planning. Agencies will be able to begin submitting data into the directory in January 2003. The directory is expected to be fully populated by July 2003.

Standard eTransactions is the foundation of the Integrated Acquisition Environment. The team modeled the acquisition process to identify activities and information exchanges. Agencies are validating these modules to ensure that all possible data interfaces are included. All data elements will be examined to ensure that they have the same meaning and convey the same information. A standard glossary is being developed to facilitate exchange of data between and within agencies. From this module will come the interfaces that will be used by all Federal agencies and vendors to successfully operate in the Integrated Acquisition Environment.

The Integrated Acquisition Environment will be linked by several cross-cutting initiatives:

- The e-Authentication initiative will build and enable mutual trust to support the widespread use of electronic interactions between the public and government, and among government agencies by providing common solutions to establish the identity of the user. It ensures that only appropriately authenticated parties will be able to access multiple eGov applications.
- A portal is under development for individual access for use by those who are not working from a contract writing system or from a financial application.
- Application interfaces via web services and integration broker technologies are being developed that will allow agency applications to request, send, and retrieve data.

The Integrated Acquisition Environment provides a huge opportunity to leverage the government's investment in IT as well as in human capital. Effective communication and change management is critical to ensure its successful adoption. For more information, contact Teresa Sorrenti by email at teresa.sorrenti@gsa.gov or at (703) 872-8610, or Earl Warrington by email at earl.warrington@gsa.gov or at (703) 872-8609.

GAO Issues Report on the Effective Use of Human Capital Flexibilities

Continued from page 8

have not made greater use of the human capital flexibilities that are available to them. These reported barriers that have hampered agencies in maximizing their use of available flexibilities included agencies' weak strategic human capital planning and inadequate funding for using these flexibilities given competing priorities; managers' and supervisors' lack of awareness and knowledge of the flexibilities; managers' and supervisors' belief that approval processes to use specific flexibilities are often burdensome and time-consuming; and managers' and supervisors' concerns that employees will view the use of various flexibilities as inherently unfair, particularly given the common belief that all employees must be treated essentially the same regardless of job performance and agency needs.

Overall, GAO noted that the insufficient and ineffective use of flexibilities can significantly hinder the ability of agencies to recruit, hire, retain, and manage their human capital. As mentioned in the report, Congress recently debated the extent of personnel flexibilities that should be granted to the new Department of Homeland Security. GAO said that while this decision was important to how the new department will operate, how personnel flexibilities are implemented is equally important. By more effectively using flexibilities, all agencies would be in a better position to manage their workforces, assure accountability, and transform their cultures to address current and emerging needs.

A copy of this GAO report can be obtained at www.gao.gov. For more information on GAO's human capital work, please contact Chris Mihm at mihmj@gao.gov or (202) 512-6806.

Christopher Burnham

Continued from page 7

Challenges

The State Department is committed to achieving the goals of the President's Management Agenda. If this Administration achieves all of those goals then it will leave a legacy of good management, good leadership, accountability to the public and results. One priority area in the President's Management Agenda is improved financial performance. Burnham remarked that achieving the objective of zero reportable conditions and material weaknesses will be an achievement in and of itself but emphasized the job is not done when this is accomplished. Burnham said, "the President expects the federal financial management processes to be cutting edge and as good or better than the private sector processes; we have challenges to overcome to accomplish this, but we will meet those challenges head on." Mr. Burnham concluded by stating, "Everyone has learned from Wall Street what happens when you can't rely on financial statements. We will not let that happen here."

GAO Forum to Help the New Department of Homeland Security

The early years of the 21st century are proving to be a period of profound transition for our world, our country, and our government. Leading public and private organizations in the United States and abroad have found that for organizations to successfully transform themselves, they must often fundamentally change their cultures so they are more results oriented, customer focused, and collaborative in nature. The nation's response to the September 11th terrorist attacks and the continuing consideration of how best to implement the new Department of Homeland Security (DHS) are manifestations of the transition and transformation under way in the federal government. The creation of DHS will represent an enormous management challenge. Over 170,000 federal employees from over 20 originating agencies or their components with differing missions, cultures, systems, and procedures will need to be efficiently and effectively integrated into a single department.

On September 24, 2002, the General Accounting Office (GAO) convened a forum to identify and discuss useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations that federal agencies could implement to successfully transform their cultures and DHS could use to merge its various originating components into a unified department. The invited participants were a cross section of leaders in the public and private sectors who have had experience managing large-scale organizational mergers, acquisitions, and transformations, as well as leading academics and others who have studied these efforts.

Many major mergers and acquisitions in the private sector do not live up to their expectations or potential. In the short term, the experience of major private sector mergers and acquisitions is that productivity and effectiveness actually decline in the period immediately following a merger and acquisition. The key is to adopt practices that minimize the duration and the significance of the reduced productivity and effectiveness and ultimately create a new organization that is more than the "sum of its parts."

The failure to adequately address—and often even consider—a wide variety of people and cultural issues is at the heart of unsuccessful mergers, acquisitions, and transformations. But this does not have to be the case. While there is no one right way to manage a successful merger, acquisition, or transformation, the experiences of both successful and unsuccessful efforts suggest that there are practices that are key to their success. These key practices can help federal agencies transform their cultures and respond to governance challenges. These practices include the following.

1. Ensure top leadership drives the transformation.
2. Establish a coherent mission and integrated strategic goals to guide the transformation.
3. Focus on a key set of principles and priorities at the outset of the transformation.
4. Set implementation goals and a timeline to build momentum and show progress from day one.
5. Dedicate an implementation team to manage the transformation process.
6. Use the performance management system to define responsibility and assure accountability for change.
7. Establish a communication strategy to create shared expectations and report related progress.
8. Involve employees to obtain their ideas and gain their ownership for the transformation.
9. Build a world-class organization.

Moving forward, GAO will continue to play a professional, objective, and constructive role in assisting the Congress and the executive branch as agencies implement transformation initiatives and DHS is created and becomes operational. For example, working with a wide range of interested parties, the GAO is identifying specific implementation steps along with illustrative private and public sector examples for the key practices raised at the forum.

The summary of the forum, *Highlights of a GAO Forum on Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies* (GAO-03-293SP, Nov. 14, 2002) is available at www.gao.gov. For additional information on GAO's work on federal agency transformation efforts and strategic human capital management, please contact J. Christopher Mihm, Director, Strategic Issues, on (202) 512-6806 or at mihmj@gao.gov.

CFO Community Engaging the Presidential Management Intern Program

The Chief Financial Officers Council (CFOC) Human Capital Committee, chaired by Angela M. Antonelli, has vigorously pursued a more collaborative relationship with the Presidential Management Intern (PMI) Program.

The PMI Program, established by Executive Order in 1977, attracts to Federal service outstanding individuals from a wide variety of academic disciplines, who have an interest in and commitment to a career in the analysis and management of public policies and programs. Applicants to the PMI Program undergo an extensive selection process and are nominated as PMI Finalists. The PMI Program hosts a job fair where PMI Finalists are interviewed and hired at the GS-9 level by Departments and agencies. During the course of the two-year program, PMIs rotate to different offices outside their primary agency and participate in career development groups for further training. At the successful conclusion of the two-year internship, PMIs convert noncompetitively to career or career-conditional appointments in positions for which they are qualified at the GS-12 level.

Three factors are driving collaboration between the CFOC and the PMI Program:

1) The JFMIP recently conducted a survey and hosted a forum to measure the quality of the PMI experience for those PMIs working in federal financial management. This analysis found that PMIs are interested in becoming more involved in federal financial management and have few opportunities to do so.
2) The CFOC and the federal financial community recognize existing human capital challenges within the financial management workforce and view the PMI Program as a source of new talent that can be used to address these needs.
3) The Office of Personnel Management is moving ahead with efforts to reinvigorate the PMI Program. Review of every aspect of the PMI Program and the solicitation of assistance for information and ideas to enhance the Program has encouraged stakeholders like the CFOC to become involved.

A Memorandum of Understanding between the CFOC Human Capital Committee and the PMI Program is nearing finalization. A PMI Working Group under the direction of the CFOC Human Capital Committee has been created to implement steps needed to engage the PMI Program. Its first objective will be to better utilize the upcoming PMI job fair to recruit and hire PMI Finalists and begin advertising the roles and responsibilities of the CFO community to PMIs. To participate or find out more information, please contact Dan Costello at 202-219-0542 or daniel.costello@gsa.gov.

JFMIP Annual Conference Registration Form – March 11, 2003

This registration AND payment or training authorization must be received by March 5, 2003. Conference fee: $150 per registrant.
PLEASE PRINT CLEARLY BELOW.

Name ❒ Mr. ❒ Ms. ______________________________
First name Last Name

Department/Organization ______________________________

Office (e.g., Bureau or Administration) ______________________________

Address ______________________________ Room __________

City ______________________________ State __________ Zip Code __________

E-mail ______________________________

Office Phone ( ) ______________________________ Fax ______________________________

Please indicate means of payment. Vendor is *Graduate School, USDA* (Federal ID: 530196561)

❒ Check

Please charge my ❒ Visa ❒ MasterCard ❒ Diners Club ❒ American Express

Credit card number ______________________________

Name of Card Holder ______________________________

❒ Purchase order/training authorization attached

Special Needs (i.e. sign language interpreter, Braille, kosher meal, etc.) ______________________________

Mail to Graduate School, USDA, JFMIP Conference, 600 Maryland Avenue SW (III), Washington, DC 20024-2520, Fax to (202) 479-6801

Developmental Assignments at JFMIP


Tamara C. West

JFMIP is expanding the competencies of future managers in the federal government by providing developmental assignments through various management development programs. Currently, JFMIP is hosting two Executive Leadership Program (ELP) participants.

Tamara C. West is a systems accountant in the Office of the Chief Financial Officer at the Office of Personnel Management (OPM). Her primary responsibilities include systems development, maintenance and improvement, and financial reporting. Her 15 years of federal service includes positions as an accounting technician, an operating accountant, and a systems accountant. Tamara is a Delta Mu Delta National Honor Society graduate with a Bachelor of Science degree in Business Administration from Bowie State University. She is an ELP participant on a 30-day developmental assignment with the JFMIP. Tamara's goals are to gain a broad prospective of federal financial management and to participate in interagency projects to develop and/or update financial systems requirements.

Robert A. Shields is an information technology (IT) program analyst at the Environmental Protection Agency, where he leads IT auditors in planning and conducting IT audits of varying complexity. He joined the Office of Inspector General staff at EPA in December 2000. Prior to that, he had consulting positions in two firms and he was a realtor for several years. He also was an evaluator for the General Accounting Office from June 1989 until January 1996. He holds a Bachelor of Science degree in Business Management from Norfolk State University. As an ELP participant on a 60-day developmental assignment at JFMIP, he will be working on the framework of federal financial systems project.

Mark Your Calendar

March 11, 2003

JFMIP 32nd Annual Financial Management Conference

The President's Management Agenda-Transforming Federal Management

Contributors to this Issue:

Karen Cleary Alderman .... JFMIP
William Campbell .... VA
Wendy Comes .... FASAB
Dan Costello .... JFMIP
Clarence Crawford .... OPM
K. Scott Derrick .... GAO
Ellen Goings .... OPM
Stuart Levy .... Treasury
Elvon Lloyd .... DoD
Lucy Lomax .... FASAB
Gail McFadden-Roberts .... FTA (EPP)
J. Christopher Mihm .... GAO
Robert Shields .... EPA (ELP)
Teresa Sorrenti .... GSA
Earl Warrington .... GSA
Tamara West .... OPM (ELP)
GraTheryn Weston ....State (EPP)

Website

www.JFMIP.gov

JFMIP

1990 K Street NW
Suite 430
Washington, DC 20006

The JFMIP News is published quarterly by the Joint Financial Management Improvement Program. The purpose of the newsletter is to promote sharing and dissemination of current financial management information, activities and practices.

Suggestions and article submissions are encouraged and may be sent to JFMIP NEWS - email doris.chew@gsa.gov, fax 202/219-0549.

Editor; Doris A. Chew

Publications Specialist: J. Gordon Dean

Change of E-mail?

Click on the Mailing list Icon at the JFMIP Website:

http://www.jfmip.gov